

FISCAL AND REGULATORY IMPACT ANALYSIS
Rules Governing Five Percent of the Annual Community Services Block Grant Funding

Date: September 20, 2016

Agency: NC DHHS, Division of Social Services – Office of Economic Opportunity

Action Requested: Amend:
10A NCAC 97B .0401 GENERAL PROVISIONS
10A NCAC 97B .0402 CITIZEN PARTICIPATION IN THE APPLICATION PROCESS
10A NCAC 97B .0403 CITIZEN PARTICIPATION IN THE PROGRAM
AMENDMENT PROCESS
10A NCAC 97C .0104 DEFINITIONS
10A NCAC 97C .0106 ELIGIBLE GRANT RECIPIENTS
10A NCAC 97C .0108 ALLOCATION OF CSBG FUNDS
10A NCAC 97C .0109 REQUIREMENTS/GOVERNING BODIES OF PRIVATE
GRANT RECIPIENTS
10A NCAC 97C .0111 CITIZEN PARTICIPATION

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Statutory Authority: G.S. 143B-153; 42 USC 9907

Summary of Impact:

State Impact:	Yes
Local Impact:	None
Private Impact:	Yes
Substantial Economic Impact:	Yes

Effective Date: January 2017

I. Necessity, Purpose and Summary of Impact

The NC DHHS Division of Social Services Office of Economic Opportunity is unable to contract and expend the full amount of the Community Services Block Grant (CSBG) allocation due to specifications of 10A NCAC 97C .0108. As a result, North Carolina's low-income residents do not have access to all potential benefits afforded through the Community Services Block Grant.

The rule requires 5% of the annual CSBG allocation under 10A NCAC 97C .0108(a)(3) to be allotted to Limited Purpose Agencies and the North Carolina Commission of Indian Affairs. More specifically, the Office is to allot "each eligible Limited Purpose Agency an amount of funds based on the percentage of the total CSBG funds the eligible agency received of those funds reserved for the limited purpose agencies and the North Carolina

Commission of Indian Affairs in federal fiscal year 1986.” Three of the seven agencies funded in federal fiscal year 1986 are no longer in existence. As a result, the Office would be unable to contract about \$280,000 (up to a maximum of \$689,833) in state fiscal year 2016-17, more than half (58%) of the 5% of CSBG funds specified to Limited Purpose Agencies and the North Carolina Commission of Indian Affairs, and estimated \$630,000 in state fiscal year 2017-18, and an estimated \$540,000 each year thereafter. This represents 2.9% of the total CSBG annual allocation the Office is not able to contract. North Carolina reverted \$4.86M and \$2.17M of CSBG funds for federal fiscal year 2011 and FFY 2012 (respectively) due to not expending 100% of the allocation within the allowable timeframe. A portion of that reverted was due to the current limitations of 10A NCAC 97C .0108(a)(3). While no CSBG funds have been reverted since FFY 2012, the proposed changes to the administrative code support avoiding reversion in the future and additional accountability for how carry-forward funds are allocated consistent with federal regulations during the two year period of availability.

The NC DHHS Division of Social Services Office of Economic Opportunity is proposing amendments to eight rules in order to contract 100% of the annual CSBG allocation, minimize the amount of funds reverted to the Federal Government, and maximize 5% of the annual allocation by aligning state rules with all allowable purposes specified in 42 U.S.C. 9907, the “Community Opportunities, Accountability and Training and Educational Services Act of 1998” (COATES Act).¹ Further, the proposed amendments would update the rule to be consistent with the federal provision that allows the carry forward of funds and would eliminate the mandate of funding three Limited Purpose Agencies and North Carolina Commission of Indian Affairs. See proposed rule text in Appendix I.

Table 1 below presents a summary of the estimated impacts that would result from the proposed amendments.

Table 1. Impact Summary

	SFY 2016-17	SFY 2017-18	SFY 2018-19	SFY 2019-20	SFY 2020-21
<i>State Impact</i>					
State Disbursement of Federal Funds	-\$280,000	-\$630,000	-\$540,000	-\$540,000	-\$540,000
Opportunity Cost of Staff Time	-\$2,100	-\$2,100	-\$2,100	-\$2,100	-\$2,100
Funds no longer reverted to Federal Government	\$280,000	\$630,000	\$540,000	\$540,000	\$540,000
Net impact to Commission of Indian Affairs	Unclear	Unclear	Unclear	Unclear	Unclear
<i>NPV of Costs (Mil.\$)</i>	<i>-\$0.01</i>				
<i>Private Impact</i>					
<i>Potential net impact to current Limited Purpose Agencies</i>	Unclear	Unclear	Unclear	Unclear	Unclear
Private/ Non-Profit Receipt of Funds	\$280,000	\$630,000	\$540,000	\$540,000	\$540,000
Cost of Grant Recipients to Apply for Funding and Run the Programs	Unquantified	Unquantified	Unquantified	Unquantified	Unquantified
Additional Public Benefits from Activities Funded with CSBG	Unquantified	Unquantified	Unquantified	Unquantified	Unquantified
<i>NPV of Benefits (Mil.\$)</i>	<i>\$2.0</i>				

II. Federal Authority:

¹ 42 U.S.C. 9907. “Uses of funds.” <http://www.gpo.gov/fdsys/pkg/USCODE-2010-title42/pdf/USCODE-2010-title42-chap106-sec9907.pdf>

42 U.S.C. 9907, Section 675C of the COATES Act, specifies not less than 90% of the funds be made available to eligible entities and not more than 5% of funding to administrative purposes, including monitoring efforts. According to items (b)(1) (A-H) of 42 U.S.C. 9907, if a state uses less than 100% of the grant for funding eligible entities and administrative purposes, the remaining portion of the allocation may be used for activities that include:

- (A) “providing training and technical assistance to those entities in need of such training and assistance;
- (B) coordinating State-operated programs and services, and at the option of the State, locally-operated programs and services, targeted to low-income children and families with services provided by eligible entities and other organizations funded under this subtitle, including detailing appropriate employees of State or local agencies to entities funded under this subtitle, to ensure increased access to services provided by such State or local agencies;
- (C) supporting statewide coordination and communication among eligible entities;
- (D) analyzing the distribution of funds made available under this subtitle within the State to determine if such funds have been targeted to the areas of greatest need;
- (E) supporting asset-building programs for low-income individuals, such as programs supporting individual development accounts;
- (F) supporting innovative programs and activities conducted by community action agencies or other neighborhood-based organizations to eliminate poverty, promote self-sufficiency, and promote community revitalization;
- (G) supporting State charity tax credits as described in subsection (c); and
- (H) supporting other activities, consistent with the purposes of this subtitle.”

III. Summary of Proposed Changes:

10A NCAC 97B .0401-.0403

Rule 10A NCAC 97C .0111 currently specifies the public review requirements for agencies funded under Rule 10A NCAC 97C .0108 (a)(3) be met by submitting a copy of their plan to the State Clearinghouse, Department of Administration for review. The State Clearinghouse is the State Environmental Review Clearinghouse, which has a stated purpose that is no longer consistent with the use of CSBG funding. The proposed changes to the 97B rules would make the rules specifically apply to eligible entities funded under Rule 10A NCAC 97C .0108 (a)(1). Agencies funded under Rule 10A NCAC 97C .0108 (a)(3) would meet requirements through submitting a copy of their plan to a review body established by the Division. Changes to 97B .0403 also specify the reasons a public hearing is required during the amendment process.

10A NCAC 97C .0104

The proposed changes to 10A 97C .0104 align the definitions with the proposed changes to 10A 97C .0108 and 97C .0106, which address the current limitations related to 5% of CSBG funds made available under Section 675C (b)(1)(A-H) of the COATES Act being fully allocated/ expended.

10A NCAC 97C .0106

The proposed change eliminates the current limitation of 5% of CSBG funds made available under Section 675C (b)(1)(A-H) from being specific to limited purpose agencies or organizations serving seasonal or migrant farmworkers and expands eligibility to organizations that address causes and effects of poverty in North Carolina, which does not exclude limited purpose agencies nor seasonal migrant farmworkers. The proposed change specifies allowance of designation of a political subdivision of the State in the event no private, nonprofit organization is identified and determined qualified to serve and unserved geographic area. 10A NCAC 97C .0108 The proposed change allows 5% of the Community Service Block Grant allocation to be used for purposes in 42 U.S.C. 9907 Section 675C (b)(1)(A-H) of COATES Act. The change addresses the inability to allocate the full amount of funding due to current specifications, updates the rule to be consistent with the longtime federal allowance for funds to be carried forward, eliminates sole sourcing to Limited Purpose Agencies and North

Carolina Commission of Indian Affairs, and requires unexpended funds for prior grants be allocated to eligible entities.

10A NCAC 97C .0109

The proposed change for this rule is to clarify the tripartite board requirement is specific to agencies funded under Rule 10A NCAC 97C.0108(a)(1), which is consistent with the requirement under the Community Opportunities, Accountability and Training and Education Services Act of 1998. Agencies funded under Rule 10A NCAC 97C .0108(a)(3) would not be subject to the tripartite board requirement. The change would address a current limitation which imposes tripartite board requirements on agencies funded under Rule 10A NCAC 97C .0108 (a)(3) that is not required under the COATES Act.

10A NCAC 97C .0111

This rule currently specifies Limited Purpose Agencies have to meet the public review requirements by submitting a copy of their plan to the State Clearinghouse, Department of Administration for review. The State Clearinghouse is the State Environmental Review Clearinghouse, and has a stated purpose that is no longer consistent with the use of CSBG funding. Proposal for this rule is to achieve public review requirements for agencies funded under Rule 10A NCAC 97C .0108 (a) (3) through submission of a copy of their plan to a review body established by the Office.

IV. Economic Analysis

The proposed rule amendments would allow the Division of Social Services Office of Economic Opportunity to make available up to an additional \$689,833 in federal funds in SFY 2016-17, and estimated \$630,000 in SFY 2017-18 and about \$540,000 each fiscal year thereafter for purposes specified in items (b)(1)(A-H) of Section 675 C the COATES Act (42 U.S.C. 9907). While a maximum of \$689,833 could be made available in SFY 2016-17, because the rule change may not take effect before January 1, 2017 and the time associated with the Request For Proposal process, the Office assumed it would be able to award about \$280,000, in the last five months of SFY 2016-17 as a result of the change.

The numbers above were derived based on \$23,787,347 total available funds in SFY 2016-17, \$21,692,157 allocation for SFY 2017-18, and \$18,680,309 projected allocation for SFYs 2018-21. The decrease indicated in the annual allocation is due to carry-forward funds not expended in previous SFYs being allocated in SFY 2016-17 and 2017-18. See further explanation in Cost Estimates subsection.

State Government: Although these are federal funds, they are subject to the North Carolina State Budget Act and, for the purpose of this fiscal note, treated as an impact on the State through the administering entity – Department of Health and Human Services. Therefore, this rule change would increase the State expenditures of CSBG funds through contracts with eligible organizations. The proposed change would not result in additional projected state costs that would require an additional allocation. The Office staff would need to spend more time on allocating the additional funds and monitoring those grants; however, the Office is unable to estimate the value of the opportunity cost of additional staff time. Additionally, North Carolina Commission of Indian Affairs is a state agency currently specified to receive 4.28% of the 5% CSBG discretionary funds (or 0.21% of the total CSBG allocation) on an annual basis. The proposed amendments fund the North Carolina Commission of Indian Affairs at this level through SFY 2016-17; after which time the entity is no longer guaranteed CSBG funding, but may request funds through a competitive funding process.

Private Sector Entities: While the increased expenditure of CSBG funds would be a cost to the state, it would be an equal benefit to the eligible organizations receiving the additional funds. In turn, these organizations would also expend part of this funds to pursue more activities that would result in additional benefits to the public. The ability

of CSBG discretionary funding to provide public benefit based on the specific needs of regions and local communities has long been acknowledged by the National Association for State and Community Services Programs. An issue brief published indicated “Discretionary funds allow states to support creative approaches tailored to the specific needs of their region and their community....these funds make the CSBG network more effective because they encourage innovative approaches and collaboration between state and local agencies.”² Currently, three Limited Purpose Agencies (all non-profit agencies) are required to receive 37.65% of the 5% discretionary funds (or 1.88% of the total CSBG allocation) on an annual basis according to the rule (Telamon = 12.75%; The Affordable Housing Group of North Carolina = 15.3%; and Western Economic Development Organization = 9.6%). The proposed amendment would result in funding these Limited Purpose Agencies at this level through SFY 2016-17; after which time the entities are no longer guaranteed CSBG funding, but may request funds through a competitive funding process. The proposed amendment opens funding to organizations that address the causes and effects of poverty in North Carolina on a competitive basis. This includes Community Action Agencies and entities providing services related to capacity building activities, training and technical assistance, staff training and corrective actions that address poverty. Funds will be allocated in accordance with the State CSBG Plan strategy which is completed on a biennial basis and requires public and legislative review. The funding would be made available through Request For Proposal process, which would not preclude existing Limited Purpose Agencies or the North Carolina Commission of Indian Affairs from applying. Under the proposed rule text, the funds contracted to local administering agencies that the Office would make available would be no more than 40% of the 5% discretionary amount being awarded to a single entity. The 40% cap is proposed to ensure all the funding available under this 5% of total allocation is not awarded to a single entity. Capping the funding to 40% per single Local Administering Agency ensures at least 3 entities to be funded under this 5% of the total CSBG allocation.

Individuals and Families: Based on the 2014 Small Area Income Poverty Estimates, there are 1,663,954 individuals living in poverty across North Carolina.³ In SFY 2014-15, over 5,700 families were served through CSBG funding and over 600 families moved above the federal poverty guideline due to the program. The amended rules would support more funding being made available to agencies addressing poverty in North Carolina and it is anticipated agencies receiving CSBG funding will increase innovation and effectiveness.

Federal Government: The change would also impact the federal government as less funds would be reverted back. In addition to making the full 5% discretionary portion of CSBG funding available, the proposed amendment places an additional safeguard on expending the full allocation by allowing any funds unexpended funds be allocated to designated Community Action Agencies consistent with the allocation method prescribed and the federal allowance of not less than 90 percent of the total CSBG allocation being used for grants to eligible entities (i.e. Community Action Agencies).

A. Cost Estimates

Since the CSBG funds are subject to the State Budget Act, the additional funds which that the state would be able to disburse as a result of the proposed changes are treated in this analysis as an increase expenditure to the state. Table 2 below presents allocations and expenditures for agencies funding under 10A NCAC 97C .0108 (a)(3) between SFY 2011-12 and 2014-15. Note, the Office was limited to allotting 78% of funds available in SFY 2011-12 because only five of the seven agencies that received funds in federal fiscal year 1986 remained in existence. The

² (1999) National Association for State Community Service Programs, Gretchen Knowlton. *The Community Services Block Grant: State Discretionary Spending. How Discretionary Resources enhance and support anti-poverty efforts*

³ Unities States Census Bureau, 2014 Small Area Income and Poverty Estimates.
<https://www.census.gov/did/www/saipe/data/statecounty/data/2014.html>

amount the Office was able to allot decreased starting in SFY 2012-13 and thereafter to under 42% because only four of the seven agencies that received funds in federal fiscal year 1986 remained in existence.

Table 2 also demonstrates that of the funds the Office is able to allot, agencies expended over 95% of the funds contracted between SFY 2011-12 and SFY 2013-14. However, these agencies only expended 76.54% of the funds contracted in SFY 2014-15.

Based on the historic trend of the last few years, this analysis assumes that the state would be able to disburse and additional 58% of future 5% CSBG discretionary funds.

Table 2. Baseline Allocation and Expenditure

Baseline Allocation and Expenditure	SFY 2012-13		SFY 2013-14		SFY 2014-15	
	\$	%	\$	%	\$	%
CSBG 5% Allocation	\$913,428		\$913,428		\$ 1,244,596	
Contracted	\$379,985	41.6%	\$379,985	41.6%	\$521,801	41.9%
Expended	\$370,812	40.6%	\$379,929	41.6%	\$399,401	32.1%
% of Contracted Funds Expended	97.59%		99.99%		76.54%	
Not Allotted Due to Rule .0108	\$533,443	58.4%	\$533,443	58.4%	\$ 722,795	58.1%
Not Expended	\$542,616	59.4%	\$533,499	58.4%	\$ 845,195	67.9%

(Source: Office of Economic Opportunity Allocation Sheets, Expenditure Tracking Sheets and North Carolina CSBG Information System Survey)

Table 3 below presents the allocation breakout for the close to \$24 million in CSBG funds that North Carolina has available in this fiscal year, as well as the projected allocations for the following few fiscal years. Note, the SFY 2016-17 allocation includes unexpended carry-forward funds from prior period allocations that have been contracted for expenditure within the allowable federal period. Based on the CSBG State Plan, the State can award close to \$0.5 million to three Limited Purpose Agencies and the North Carolina Commission of Indian Affairs and close to \$0.7 million is to be awarded for specific discretionary activities aligned with the proposed amended rules. However, based on the current rule the \$0.7M is not able to be contracted.

At this point the Office does not have the final amount of discretionary awards (5% of the CSBG) that would be available from the federal government in the next few years because this information has not been released. Given that in the three years prior to SFY2014-15, the amount of CSBG funds from the federal government have stayed fairly constant (see Table 2 above), the Office projected SFYs 2018-21 discretionary funding as 5% (\$934,015) of the most recent federal annual allocation of \$18.6M.

Table 3. Projected Annual Allocation Breakout of CSBG Funds

Distribution Category	% Distribution	SFY 2016-17 Allocation	SFY 2017-18 Projected Allocation	SFY 2019 through SFY 2021 Projected Allocation
Eligible Entities	90%	\$21,408,612	\$19,522,941	\$16,812,278
Limited Purpose Agencies/ Discretionary	5%	\$1,189,367	\$1,084,608	\$934,015
State Administration	5%	\$1,189,367	\$1,084,608	\$934,015
Total	100%	\$23,787,347	\$21,692,157	\$18,680,309

(Source: North Carolina SFY 16-17 CSBG State Plan)

Table 4 presents the estimated additional CSBG funds that the state will be able to disburse to other entities that meet the requirements in Section 675C (b)(1)(A-H) of the COATES Act based on the proposed rule changes. These estimates are based on the projected allocation of CSBG funds (see Table 3) and the state will be able to

contract the entire allocation for in the LPA/Discretionary activities category, i.e. 58% more of the discretionary CSBG funds would be contracted. Given the earliest the proposed rules can come into effect is January 1, 2017 and the time associated with the Request For Proposal process the Office assumed it would be able to award in the last 5 months of the state fiscal year, it assumed that about \$280,000 (or 5/12th) of the total available funds would be awarded between January 1 of 2017 and June 30 of 2017.

Table 4. Estimated Additional Annual CSBG Funds Contracted for Discretionary Activities*

Item	% of LPA/ Discretionary Funds	SFY 2016-17	SFY 2017-18	SFY 2019 through SFY 2021
Total Discretionary/ LPA funding	100%	\$1,190,000	\$1,080,000	\$930,000
Baseline appropriation to LPAs and NC Commission of Indian Affairs	42%	\$500,000	\$450,000	\$390,000
Additional Disbursement	58%	\$280,000	\$630,000	\$540,000

* Estimates were rounded to the nearest ten thousand.

While the proposed rule amendments would increase the amount of funds the Office disburses, the allocation for administering the funds as there are no new budgetary costs expected for the additional disbursements. 10A NCAC 97C .0108 specifies 5% of the CSBG annual allocation to be used by the Office for administration of the program. While the Office anticipates increased responsibilities in administering the funds associated with the proposed amendment to 10A NCAC 97C .0108, currently the Office does not foresee the need to exceed this allotted amount for administration or the need for additional staff specific to these efforts. There would be, however, an opportunity cost associated with the additional time staff would have to spend in awarding the additional funds and monitoring grantees. Based on best professional judgment, the Office estimates that staff would spend an additional 9 hours to review each application and execute the contract. The associated opportunity cost for staff time to review an additional application is estimate to be about \$321 (based on an hourly total compensation, which includes salary and benefits,⁴ of about \$35.7). It is unclear how many additional applications the Office would have to review; however, the Office anticipates awarding between 3 and 10 subgrantees through the 5% discretionary funding if the proposed amendments are approved – so an average opportunity cost of staff time of \$2,100 per year is expected. Additional time would be spent by staff for multiple reviews at the Office, Division, and Department levels.

As mentioned above, currently three non-profit entities and the North Carolina Commission of Indian Affairs receives by default an allocation from the 5% discretionary funds. Table 5 below presents the allocation in SFY 2015-16 and 2016-17 for the three Limited Purpose Agencies and the North Carolina Commission of Indian Affairs.

⁴ NC Office of State Human Resources. Total Compensation Calculator. <http://oshr.nc.gov/state-employee-resources/classification-compensation/total-compensation-calculator>

Table 5. SFY 2015-16 and 2016-17 Limited Purpose Agency and North Carolina Commission of Indian Affairs Allocation

Agency	Percentage of Discretionary Funding based on FFY 1986	SFY 2015-16 Allocation	SFY 2016-17 Allocation
North Carolina Commission of Indian Affairs (State Agency, Department of Administration)	4.28%	\$57,174	\$50,905
Telamon, Inc. (Private Non-Profit Agency)	12.75%	\$170,277	\$151,644
The Affordable Housing Group of North Carolina (Private Non-Profit Agency)	15.30%	\$204,400	\$181,973
Western Economic Development Organization (Private Non-Profit Agency)	9.60%	\$128,251	\$114,179

Table 6 below presents the projected allocation amount for the three Limited Purpose Agencies and the North Carolina Commission of Indian Affairs would be guaranteed in SFY 2017-18 and SFYs 2018-2021 if the percentage of funding were awarded based on the current method specified in the administrative code (baseline scenario).

Table 6. Baseline SFY 2017-18 and SFYs 2018-2021 Projected Allocations

Agency	Percentage of Discretionary Funding based on FFY 1986	Baseline SFY 2017-18 Allocation	Baseline SFYs 2018-2021 Allocation
North Carolina Commission of Indian Affairs (State Agency, Department of Administration)	4.28%	\$46,417	\$40,000
Telamon, Inc. (Private Non-Profit Agency)	12.75%	\$138,241	\$119,000
The Affordable Housing Group of North Carolina (Private Non-Profit Agency)	15.30%	\$165,945	\$143,000
Western Economic Development Organization (Private Non-Profit Agency)	9.60%	\$104,122	\$90,000

The proposed amendments will no longer guarantee CSBG funding for these four agencies starting in SFY 2017-18, but they may compete for these funds through the Request For Proposal (RFP) process. It is unclear at this point if any or all of these four entities would choose to incur the cost of going through the RFP process, what the cost of that action may be, and how much funding they will succeed in securing through the RFP process. Therefore, it is difficult to estimate for the purpose of this analysis what the net impact on these entities may as a result of the proposed changes. If they have net losses, they would range between the additional cost of going through the RFP process if they manage to secure the same amount of funding as the baseline allocation shown in Table 6 and the cost of RFP process plus loss of funds shown in Table 6 if RFP process proves unsuccessful. However, there is also the possibility that these four entities would incur net benefits if they manage to secure more funding than the baseline allocation from Table 6, especially if their actions fall within the focus areas the Office of Community Services has identified in the State Plan.

Table 7 below shows a more detailed allocation of this \$1.2 million in SFY 2016-17 for discretionary activities aligned with funding the three Limited Purpose Agencies, the North Carolina Commission of Indian Affairs and the additional activities aligned with the proposed amended rules. The planned use for this portion of funds and the remaining portion of discretionary funds for SFY 2017-18 is specified in Table 8.

The funding focus areas specified in tables 7 and 8 are included the Administration for Children and Families' Office of Community Services CSBG state plan template and also connect with the Performance Management Framework Initiative being rolled out by the Office of Community Service.

This initiative introduces the most significant changes to requirements CSBG has experienced in over 10 years with focus on Organizational Standards, State and Federal Accountability Measures and Results Oriented Management and Accountability annual performance reporting. The office is proposing these areas and amounts to assist meeting requirements put forth in the Performance Management Framework Initiative, align efforts with Office of Community Services focus areas and also address concerns expressed from the North Carolina CSBG network (i.e. analysis of distribution of funds to address concerns surrounding the allocation method for ninety percent of the CSBG allocation). While tables 8 and 9 specify the focus of discretionary funds through SFY 2017-18, the proposed amendment requires the target area of these funds be specified within the CSBG State Plan which is completed on a biennial basis and subject to public and legislative review. As such, the focus of these funds may change overtime based on need and public input.

Table 7. SFY 2016-17 Discretionary Allocations

GRANTEE/ FUNDING FOCUS	ALLOCATION	SERVICES/PROJECTS
Telamon, The Affordable Housing Group of North Carolina, Western Economic Development Organization and North Carolina Commission of Indian Affairs	\$499,534	Four Limited Purpose Agencies operating projects for a specific target population or specific program area will be funded. The projects will target: American Indians, Workforce Preparation for ESOL population, Housing and Education.
<i>The proposed NC Administrative Code amendments are necessary to complete the 5 activities and allocate the funds listed below¹</i>		
Training/ technical assistance to eligible entities	\$297,342	Addressing the needs of eligible entities determined through requests, feedback and collaboration with the NC Community Action network.
Coordination of state-operated programs and/or local programs	\$35,681	Funding will support systems to family stability initiatives connecting CSBG with TANF and WIOA
Statewide coordination and communication among eligible entities	\$178,405	Funding will support outcome tracking and performance reporting at the local and state levels.
Analysis of distribution of CSBG funds to determine if targeting greatest need	\$178,405	A statewide comprehensive assessment focused on indicators, barriers, solutions and successes will be conducted. The distribution method for the 5% discretionary and 90% to eligible entity funding will be examined in conjunction with this assessment to inform funding methodology for maximizing allocations for poverty reduction. A return on investment and efficiency/ impact report will also be produced.
Total	\$1,189,367	

(Source: North Carolina SFY 16-17 CSBG State Plan)

¹ The amount estimated to be allocated to the five different activities is based on the areas of focus identified by the Office of Community Services in the state plan., and they are connected to the Performance Management Framework Initiative being rolled out by Office.

Table 8. SFY 2017-18 Projected Discretionary Allocations

GRANTEE	SFY 2017-18 PROJECTED ALLOCATION	SERVICES/PROJECTS
<i>The proposed NC Administrative Code amendments are necessary to complete the 5 activities and allocate the funds listed below.</i>		
Training/ technical assistance to eligible entities	\$325,382	Addressing the needs of eligible entities determined through requests, feedback and collaboration with the NC Community Action network.
Coordination of state-operated programs and/or local programs	\$54,230	Funding will support systems to family stability initiatives connecting CSBG with TANF and WIOA
Statewide coordination and communication among eligible entities	\$271,152	Funding will target technology enhancements of an online database system for all CSBG subgrantees and the state for tracking outcomes and performance reporting.
Innovative programs/ activities by eligible entities or other neighborhood groups	\$433,844	The proposed needs assessment for SFY 2016-17 in conjunction with the national performance management initiative efforts, such as learning communities, and other relevant sources will be utilized to identify target areas for funding.
Total	\$1,084,608	

(Source: North Carolina FY 16-17 CSBG State Plan)

To the extent that the three LPAs and the NC Commission of Indian Affairs cannot secure the funds that they would otherwise, or would not be able to use them for the same purposes, the public benefits that would have been incurred in the absence of the rule changes would be also affected. Again, due to the unclear nature of how the funding of these four agencies would be ultimately affected, it is impossible to estimate what the impact of the benefits from the activities of these entities would be affected themselves. To provide context however, tables 9 and 10 below indicate outcomes achieved by the three Limited Purpose Agencies and the North Carolina Commission of Indian Affairs in SFYs 2013-14 and 2014-15.

Table 9. SFY 2013-14 Allocation, Expenditure and Outcomes Achieved for Agencies Required to Receive Discretionary Funding

<i>A. North Carolina Commission of Indian Affairs (State Agency, Department of Administration)</i>	
Allocation	\$38,364
Expenditure	\$38,298
Percent of Allocation Expended	99.83%
Outcomes	
Number of low-income American Indian college students participating in the SUNS Program to reduce barriers to academic success.	60
Number of participants attending the Academic Success Workshop	33
Number of participants completing the spring semester with a minimum 2.0 GPA	30
Number of participants completing the fall semester with a minimum 2.0 GPA	25
Number of participants maintaining a cumulative GPA of 3.0 or greater at the end of the academic year	17
Number of participants receiving a degree	2

<i>B. Telamon, Inc. (Private Non-Profit Agency)</i>	
Allocation	\$114,178
Expenditure	\$114,178
Percent of Allocation Expended	100%
Outcomes	
Number of youth served	43
Number of participants obtaining training certifications or certificates	6
Number of participants obtaining employment	4
Number of participants obtaining a H.S. Diploma or G.E.D.	13

<i>C. The Affordable Housing Group of North Carolina (Private Non-Profit Agency)</i>	
Allocation	\$139,754
Expenditure	\$139,754
Percent of Allocation Expended	100%
Outcomes	
Number of community based organizations receiving technical assistance (TA)	21
Number of housing applications submitted	8
Amount of funding awarded to community organizations as result of TA	\$485,674
Number of new, safe and affordable housing units developed/ constructed as result of TA	50
Number of individuals securing safe and affordable housing though newly constructed units	14

<i>D. Western Economic Development Organization (Private Non-Profit Agency)</i>	
Allocation	\$87,689
Expenditure	\$87,689
Percent of Allocation Expended	100%
Outcomes	
Number of marketing opportunities made available	385
Amount of increase in sales from FY 11-12 from First Step Farm Retail Store	\$51,286
Amount of increase in sales from FY 11-12 from First Step Farm greenhouse and farm	\$23,525
The average income of low-income residents of First Step Farm	\$2,610
Number of marketing opportunities made available	385

**Table 10. SFY 2014-15 Allocation, Expenditure and Outcomes Achieved for Agencies
Required to Receive Discretionary Funding**

<i>A. North Carolina Commission of Indian Affairs (State Agency, Department of Administration)</i>	
Allocation	\$53,264
Expenditure	\$49,982
Percent of Allocation Expended	94%
Outcomes	
Number of low-income American Indian college students participating in the SUNS Program to reduce barriers to academic success.	63
Number of participants attending the Academic Success Workshop	19
Number of participants completing the spring semester with a minimum 2.0 GPA	30
Number of participants completing the fall semester with a minimum 2.0 GPA	35
Number of participants maintaining a cumulative GPA of 3.0 or greater at the end of the academic year	13
Number of participants receiving a degree	9

<i>B. Telamon, Inc. (Private Non-Profit Agency)</i>	
Allocation	\$158,633
Expenditure	\$133,200
Percent of Allocation Expended	84%
Outcomes	
Number of youth served	44
Number of participants obtaining training certifications or certificates	8
Number of participants obtaining employment	3
Number of participants obtaining a H.S. Diploma or G.E.D.	13

<i>C. The Affordable Housing Group of North Carolina (Private Non-Profit Agency)</i>	
Allocation	\$190,423
Expenditure	\$111,937
Percent of Allocation Expended	59%
Outcomes	
Number of community based organizations receiving technical assistance (TA)	31
Number of housing applications submitted	7
Number of new, safe and affordable housing units developed/ constructed as result of TA	58
Number of individuals securing safe and affordable housing through newly constructed units	88
Amount of funding awarded for community organizations as a result of applications submitted through technical assistance	\$ 6,822,315

<i>D. Western Economic Development Organization (Private Non-Profit Agency)</i>	
Allocation	\$119,481
Expenditure	\$104,021
Percent of Allocation Expended	87%
Outcomes	
The number of low-income adults seeking educational and/ or vocational assistance	61
The number of individuals completing educational/ training programs	16
The number of individuals obtaining a GED	1

A. Expected Benefits

While some of the outcomes achieved by the three LPAs and the NC Commission of Indian Affairs may no longer occur, it is important to note that continuing the state requirement to fund specific agencies when not required by federal regulation limits the full benefit of the CSBG discretionary funding. Some anticipated benefits of awarding these funds through a competitive process include, but may not be limited to:

- aligning resources with the most pressing needs across the state;
- strategically addressing areas identified by the federal funding source, state priorities and local community needs;
- providing training and technical assistance to reduce risks of contracted agencies;
- identifying and replicating innovative practices;
- meeting or exceeding federal requirements;
- addressing concerns of stakeholders;
- leveraging other available funding sources and coordinating services with other funding streams to maximize outcomes achieved by low-income families.

The Office of Economic Opportunity anticipates greater achievement of outcomes and impact based on making this funding competitive versus guaranteeing funding to specific entities.

The proposed amendment aligns North Carolina CSBG 5% discretionary funding with the maximum available uses under the federal authority (42 U.S.C. 9907). In collaboration with local, state and federal partners NC DHHS Division of Social Services Office of Economic Opportunity can identify and target priority poverty elimination needs and strategies during the biennial CSBG State Plan process. Additional benefits to be realized through awarding the available funding (about \$280,000 in SFY 2016-17, about \$630,000 in SFY 2017-18 and about \$540,000 years thereafter) may include, but are not limited to, the activities in the FY 2016-2017 CSBG Plan accepted by Office of Community Services (see tables 7 and 8).

The Office anticipates funding the NC Commission of Indian Affairs and three current Limited Purpose Agencies at the Federal Fiscal Year 1986 percentage of funding through State Fiscal Year 2016-2017. The Office anticipates awarding between 3 and 10 subgrantees through the 5% discretionary funding if the proposed amendments are approved. The proposed amendment specifies no more than 40% of the total available funds under 10A NCAC 97C .0108 (a)(3) be made available to a single entity. The 40% cap is proposed to ensure all the funding available under this 5% of total allocation is not awarded to a Local Administering Agency. Capping the funding to 40% per single entity ensures at least 3 entities to be funded under this 5% of the total CSBG allocation. The proposed amendment creates additional opportunity for review and input regarding the use of fund as the target area of these funds must be specified within the CSBG State Plan, which is completed on a biennial basis and subject to public and legislative review. Any funds granted to Local Administering Agencies under this amendment shall be awarded through a prescribed selection process, to include a review body established by the Division of Social Services. The review body shall be comprised of no less than five individuals selected by the Division and who shall have knowledge in the areas of poverty, grants management, fiscal operations, grants monitoring and grants compliance.

The proposed use of discretionary funding for the next two SFYs, specified in tables 7 and 8 above, is targeted in areas the State CSBG Lead Agency has responsibility for the Administration for Children and Families' Office of Community Services (OCS) Performance Management Framework initiative. This initiative introduces the most significant changes to requirements CSBG has experienced in over 10 years with focus on Organizational Standards, State and Federal Accountability Measures and Results Oriented Management and Accountability annual performance reporting. The State accountability measures serve as a new method for OCS to track areas of compliance and performance of State lead agencies. As indicated in the OCS Information Memorandum 144, "The State accountability measures address efficiency and effectiveness characteristics such as timeliness, accuracy, standards, and stakeholder satisfaction in the critical activities and functions listed below:"

- Development of the State plan, and
- Implementation of the State plan, including:
 - Distribution of funds,
 - Use of remainder/discretionary funds,
 - Grantee monitoring and corrective action,
 - Data collection, analysis, and reporting,
 - Organizational standards for eligible entities, and
 - State linkages and communication

While the state accountability measures are new, it is highly anticipated that the use of discretionary funding in the areas specified within the OCS model state plan will have a positive impact on the compliance and performance of

the State Lead Agency. In times when “significant system development or reform efforts are occurring” (such as the Performance Management Framework initiative being rolled by OCS for CSBG) the Institute of Innovation and Implementation acknowledges the need and influence of states to devote “ongoing resources committed to training, coaching, data collection, evaluation, and quality assurance feedback mechanisms; subject matter expertise; policy and financing support; and partnership engagement and collaboration.” It is acknowledged that “the lack of capacity has often turned out to be the most serious limitation on success in creating place-based and community-wide change” and the “lack of capacity in distressed communities makes it difficult to implement traditional programs effectively and virtually impossible to move from business-as-usual to something more ambitious”⁵. The proposed amendment better positions the state to direct resources to support capacity building activities, innovation and the achievement of ambitious outcomes.

In addition to assisting the State Lead Agency in the areas of compliance and performance, it is anticipated that making all the discretionary funding competitive through the Request For Proposal process and beginning SFY 2017-18 no longer requiring funding to the North Carolina Commission of Indian Affairs and the three non-profit Limited Purpose Agencies will strengthen outcomes achieved with CSBG discretionary funding. Currently, due to the administrative code guaranteeing funding to agencies (when not required by federal regulations) the state is limited in the ability to address needs based on research, support innovative approaches to reducing poverty and pursuing evidence based practices for service delivery. Through competitive RFPs targeting areas identified in the state CSBG plan, which is subject to public review and comment, the state is positioned to be more strategic with funding. The Center for the Study of Social Policy identifies five actions to “contribute to substantially improved outcomes for disadvantaged children, families and neighborhoods.” These are:

- 1) Combining findings from research, theory, practice, and evaluation to promote informed decision making;
- 2) Become more strategic to support successful implementation and scale-up;
- 3) Obtain richer evidence from complex interventions;
- 4) Create an expanded learning framework and manage to results; and
- 5) Strengthen measurement for accountability and learning.⁶

Strategies such as these can be more readily explored through competitive funding and not specifying funding to agencies that are not required to be funded by federal regulation.

V. Alternatives Considered

The Office considered the following alternatives to the proposed rule change:

- A. No changes: Currently, at least 58.4% of the discretionary funding cannot be contracted and expended on an annual basis (see Table 2). This is due to all agencies funded in FFY 1986 are no longer in existence. While, a potential benefit of no changes maybe staff time saved in completing the rule amendment process, this is not a viable option as North Carolina families and communities are not afforded the full benefits available through the Community Services Block Grant. Additionally, NC DHHS Division of Social Services would continue to revert unexpended portions of funding to the Federal Government.
- B. Fund over 90% of total allocation to eligible entities: Currently North Carolina allocates the minimum (90%) to CSBG eligible entities as required by the COATES Act. The COATS Act does not place a limit on the percent of the total allocation a state can allocate to eligible entities.

⁵ Metrick, J., Harburger, D.S., Canary, P.J., Lieman, R.B., & Zabel, M. (2015). Building Cross-System Implementation Centers: A Roadmap for State and Local Child Serving Agencies in developing Centers of Excellence (COE). Baltimore, MD: The Institute for Innovation & Implementation, University of Maryland.
<https://theinstitute.umaryland.edu/newsletter/articles/bcsic.pdf>

⁶ Farrow, F. and Schorr, L.B. (2011). Expanding The Evidence Universe: Doing Better By Knowing More. Center for the Study of Social Policy

North Carolina could eliminate the 5% of discretionary funding and increase the eligible entity allocation to 95 percent. This option would increase the allocation of 35 designated eligible entities that are contracted on an annual basis. However, eliminating the 5% discretionary allocation limits North Carolina's ability to increase provision of training and technical assistance; increase capacity to implement federal priorities such as organizational standard and sound performance management practices; support local agencies leveraging additional resources to support low-income families and communities; and to support competitive and innovative approaches to service delivery designed to combat challenges associated with poverty. As an issue brief published by the National Association for State Community Service Programs acknowledges, "Discretionary funds allow states to support creative approaches tailored to the specific needs of their region and their community... these funds make the CSBG network more effective because they encourage innovative approaches and collaboration between state and local agencies."⁷

- C. Fund Limited Purpose Agencies re-certified as eligible agencies with the full discretionary allocation: The rules could be revised to allocate the 5% of discretionary funding to those agencies funded in FFY 1986 that remain in existence. This would eliminate the requirement to allot an amount of funds based on the percentage of the total CSBG funds the eligible agency received of those funds reserved for the limited purpose agencies and the North Carolina Commission of Indian Affairs in FFY 1986. This option would potentially make \$1,189,367 in SFY 2016-17, and estimated \$1,084,608 in SFY 2017-18, and an estimated \$878,347 each fiscal year thereafter of total funding available to three Limited Purpose Agencies and the North Carolina Commission of Indian Affairs. This would be a significant increase in funding to these entities compared to their previous CSBG allocations. It must be acknowledged, only 76.54% of the contracted funds to these four entities were expended in SFY 2014-15 (see table 2) and there is an inherent amount of risk with any program or agency receiving a large change (increase or decrease) in funding. Additionally, specifying only four agencies to receive funding through a non-competitive process limits the use and impact of funding.

⁷ National Association of State Community Service Programs. "The Community Service Block Grant: State Discretionary Spending – How Discretionary Resources Enhance and Support Anti-Poverty Efforts" Issue Brief by G. Knowlton. http://www.nascsp.org/data/files/csbg_publications/issue_briefs/moneybrief.pdf

APPENDIX
Proposed Rule Changes

10 NCAC 97B.0401 is proposed for amendment as follows:

SECTION .0400 – CITIZEN PARTICIPATION AND HEARINGS

10A NCAC 97B .0401 GENERAL PROVISIONS

Each applicant for programs ~~funded under 10A NCAC 97C .0108(a)(1) administered by the Office~~ shall provide citizens with an adequate opportunity for meaningful involvement on a continuing basis and for participation in the planning, implementation, evaluation and assessment of the program. The applicant shall:

- (1) provide ~~adequate~~ information to citizens;
- (2) hold a public hearing at the initial stage of ~~the~~ a multi-year planning process meeting requirements of Rule .0402 (3)(4)(5) of this Section;
- (3) publish a notice of intent to file an application prior to the governing board's approval as specified in Rule .0402 (6) of this Section, and subsequent submission of the application to the ~~Office;~~ Division of Social Services;
- (4) allow citizen participation on substantive amendments in the program; and
- (5) provide an opportunity to comment on the applicant's performance.

*History Note: Authority G.S. 143B-10; 143B-276; 143B-277; 143-323(d);
Eff. December 1, 1983;*

Amended Eff. January 1, 2017; June 1, 1985; February 1, 1985; October 1, 1984.

1 10A NCAC 97B .0402 is proposed for amendment as follows:

2
3 **10A NCAC 97B .0402 CITIZEN PARTICIPATION IN THE APPLICATION PROCESS**

4 Each applicant for programs ~~funded by~~ under 10A NCAC 97C .0108(a)(1) ~~administered by the Office~~ shall develop and maintain
5 procedures that meet the following requirements:

6 (1) Solicit and respond ~~in a timely and appropriate manner~~ to reviews and proposals of citizens, particularly low-income persons,
7 members of minority groups, and resident areas where activities are proposed. Applicants shall respond in writing to written
8 citizen comments objecting to an application. The applicant shall consider written objections made only on the following
9 grounds:

10 (a) ~~The~~ the applicant's description of the needs, goals, and objectives is ~~plainly~~ inconsistent with available facts and data;

11 (b) ~~The~~ the activities to be, or being, undertaken are ~~plainly~~ inappropriate to meeting the needs, goals, and objectives identified
12 by the applicant; or

13 (c) ~~The~~ the application does not comply with the requirements of this Chapter or other applicable laws and regulations.

14 Responses to the written objection shall be made within 10 calendar days of receipt of the citizen comment.

15 (2) Provide technical assistance to facilitate citizen participation, where requested. The level and type shall be determined by
16 the applicant.

17 (3) Provide adequate notices of public hearings in a timely manner and in such a way as to make them accessible and
18 understandable to all citizens. A notice of the public hearing shall be given once a week for two successive calendar weeks in
19 the non-legal section of a newspaper having general circulation in the area. The notice shall be published the first time not less
20 than 10 days nor more than 25 days before the date fixed for the hearing.

21 (4) Schedule public hearings to obtain citizen views and to respond to citizen proposals at times and locations ~~which~~ that permit
22 broad participation, particularly by low income persons, members of minority groups, handicapped persons, and residents of
23 project areas.

24 (5) Conduct at least one public hearing at the initial stage of ~~the~~ a multi-year planning process to allow citizens the opportunity
25 to express views and proposals.

26 (6) Publish a notice of intent to file an application, at least one time in the non-legal section of a newspaper, having general
27 circulation in the area, no less than 10 calendar days prior to final approval by the recipient's governing board. The notice shall
28 specify the time and place the governing board shall meet to consider adopting a resolution (as required by Rule .0203(2)(b) of
29 this Subchapter) to approve the application. The notice shall contain a description of the activities to be undertaken and the
30 amount of funds requested in the application.

31 (7) Persons wishing to object to the approval of an application by the ~~Office~~ Division of Social Services shall make such objection
32 in writing. The ~~Office~~ Division of Social Services will consider objections made only on the following grounds:

33 (a) ~~The~~ the applicant's description of the needs, goals, and objectives is ~~plainly~~ inconsistent with available facts and data;

34 (b) ~~The~~ the activities to be undertaken are ~~plainly~~ inappropriate to meeting the needs, goals, and objectives identified by the
35 applicant; or

36 (c) ~~The~~ the application does not comply with the requirements of this Chapter or other applicable laws and regulations.

(8) All objections shall include both an identification of the requirements not met and, in the case of objections made on the grounds that the description of needs and objectives is plainly inconsistent with available facts and data, the data upon which the persons rely.

*History Note: Authority G.S. 143B-10; 143B-276; 143B-277; 143-323(d);
Eff. December 1, 1983;
Amended Eff. January 1, 2017; October 1, 1984.*

1 10A NCAC 97B .0403 is proposed for amendment as follows:
2

3 **10A NCAC 97B .0403 CITIZEN PARTICIPATION IN THE PROGRAM AMENDMENT PROCESS**
4

5 (a) Each grant recipient funded under 10A NCAC 97C .0108(a)(1) shall respond to citizen objections and comments in the same
6 manner as in Rule .0402(1) of this Section.

7 (b) ~~All amendments~~ ~~Amendments which~~ require prior ~~Office~~ Division of Social Services approval. ~~also may require a public~~
8 ~~hearing. After determination by the Office that a public hearing is required, it shall be held in accordance with Rule .0402(3)~~
9 ~~and (4) of this Section.~~

10 (c) ~~The Office may determine that a hearing is required if a program is substantially changed by:~~

11 (1) ~~A new or amended state or federal statute or regulation requires a new provision, or conflicts with any existing plan~~
12 ~~provision;~~

13 (2) ~~A court decision changes the interpretation of a statute or regulation;~~

14 (3) ~~The grant recipient proposes to add, significantly modify, or delete any project.~~

15 A public hearing shall be required if:

16 (1) The grant recipient proposes an objective or activities not included in the original work plan;

17 (2) There is an increase or decrease of total funds in excess of an aggregate of ten percent of the total
18 amount of the grant agreement; or

19 (3) There is a transfer of funds from the inception to the termination of the grant agreement between
20 projects in excess of an aggregate of five percent of the total amount of the grant agreement.

21
22 Public hearings shall be held in accordance with Rule .0402(3) and (4) of this Section.
23

24 History Note: Authority G.S. 143B-10; 143B-276; 143B-277; 143-323(d);
25 *Eff. December 1, 1983;*
26 *Amended Eff. January 1, 2017.*
27

1 10A NCAC 97C .0104 is proposed for amendment as follows:

3 **10A NCAC 97C .0104 DEFINITIONS**

5 For the purpose of this Subchapter, the following definitions apply:

6 (1) Act. The Omnibus Budget Reconciliation Act of 1981, as amended, under which the Community Services Block Grant
7 Program was established.

8 (2) Community Action Agency (CAA). An agency ~~officially~~ designated and funded by the Community Services Administration
9 in Federal Fiscal Year 1981 for the purpose of operating an anti-poverty project and ~~which that~~ was funded by the Office in
10 fiscal year 1985 to administer a Community Services Block Grant anti-poverty project or any agency designated ~~as such~~ by the
11 Governor or his designee and determined to be eligible by the ~~Office. Office, currently within NC Division of Social Services.~~

12 (3) Community Services Block Grant. The state administered Community Services Block Grant Program (CSBG).

13 ~~(4) Limited Purpose Agency. An agency funded by the Community Services Administration in Federal Fiscal Year 1981 for~~
14 ~~the purpose of operating projects for a specific target population, such as senior citizens, or for a specific program area, such as~~
15 ~~economic development and which was funded by the Office in fiscal year 1982 to carry out similar specific and limited projects.~~

16 ~~(4)-(5) Local Administering Agency. An agency funded by the Office to carry out programs in a single or multi county area.~~
17 ~~Organizations that address the causes and effects of poverty in North Carolina. This includes Community Action Agencies and~~
18 ~~entities providing services related to capacity building activities, training and technical assistance, staff training, and corrective~~
19 ~~actions. Entities carrying out activities under 42 U.S.C. 9907(b)(1)(A-H) which may include Community Action Agencies.~~

20 ~~(5)-(6) OCS. The Office of Community Services is established in the U.S. Department of Health and Human Services and is~~
21 ~~charged with the responsibility of administering the program various programs.~~

22 ~~(6)-(7) Persons in poverty. For the purpose of the allocation of CSBG fund, persons in poverty is defined as the number of~~
23 ~~persons who whose income fall is below the poverty threshold established by the U.S. Census Bureau. of Census, U.S.~~
24 ~~Department of Commerce The number of persons in poverty will be based on the most recent Small Area Income Poverty~~
25 ~~Estimates released by the U.S. Census Bureau available at the time of allocation determination. available census data. For the~~
26 ~~purpose of program eligibility, persons in poverty is defined as the persons who fall below the poverty guidelines updated~~
27 ~~periodically by the U.S. Department of Health and Human Services and released by the Division for use. established by the~~
28 ~~Office of the U.S. Office of Management and Budget.~~

29 ~~(7)-(8) Quarter. Each three months during the life of a grant agreement with a grant recipient.~~

30 ~~(8)-(9) State Plan. The plan which sets forth how the State of North Carolina will use the funds allocated under GSBG. CSBG.~~

32 *History Note: Authority G.S. 143B-10; 143B-276; 143B-277; 143-323(d);*

33 *Eff. December 1, 1983;*

34 *Temporary Amendment Eff. November 20, 1985, for a Period of 73 Days to Expire on February 1,*
35 *1986;*

36 *Amended Eff. January 1, 2017; March 1, 1989; February 1, 1986; June 1, 1985; October 1, 1984.*

1 10A NCAC 97C .0106 is proposed for amendment as follows:

2
3 **10A NCAC 97C .0106 ELIGIBLE GRANT RECIPIENTS**
4

5 Eligible grant recipients for CSBG funds include:

6 (1) community action agencies as defined in (2) of Rule .0104 of this Section; in any geographic area of a state not ~~presently~~
7 served by an eligible entity, the Governor may decide to serve such a new area by:

8 (a) requesting an existing eligible entity ~~which~~ that is located and provides services in an area contiguous to the new area to
9 serve the new area;

10 (b) if ~~not~~ no existing eligible entity is located and provides services in an area contiguous to the new area, requesting the eligible
11 entity located ~~elosest~~ closest to the area to be served or an existing eligible entity serving an area within reasonable proximity of
12 the new area to provide services in the new area; or

13 (c) ~~where no existing eligible entity requested to serve the new area decides to do so,~~ designating any existing eligible entity,
14 any private, nonprofit organization which has a board meeting the requirements of ~~Section 675(c)(3)~~ 42 U.S.C. 9910 ~~or any~~
15 ~~political suboffice of the state~~ to serve the new area. The Governor's designation of an organization ~~which~~ that has a board
16 meeting the requirements of ~~Section 675(c)(3)~~ 42 U.S.C. 9910 ~~or a political suboffice of the state~~ to serve the new area shall
17 qualify such organization as a eligible entity.

18 (d) If no private, nonprofit organization is identified or determined to be qualified to serve the unserved geographic area as an
19 eligible entity the Governor may designate an appropriate political subdivision of the State to serve as an eligible entity for the
20 area. In order to serve as the eligible entity for that area, the political subdivision shall have a board or other mechanism as
21 required under U.S.C. 42 9910 section 676B(b).

22 (2) ~~organizations serving seasonal or migrant farmworkers; and~~ Local Administering Agencies as defined in (4) of Rule .0104
23 of this Subsection.

24 ~~(3) limited purposes agencies as defined in (6) of Rule .0104 of this Section.~~
25

26 *History Note: Authority G.S. 143-276; 143-323(d); 143B-10(b); 42 U.S.C. 9901-12;*

27 *Eff. December 1, 1983;*

28 *Amended Eff. January 1, 2017; March 1, 1989; October 1, 1984.*
29

1 10A NCAC 97C .0108 is proposed for amendment as follows:

3 **10A NCAC 97C .0108 ALLOCATION OF CSBG FUNDS**

4 (a) Funds ~~allocated~~ available to North Carolina under the CSBG Program will be ~~used in~~ allocated ~~and in each subsequent federal~~
5 ~~fiscal year~~ as follows:

6 (1) ~~No less than Ninety ninety percent of the funds to make grants to those~~ allocated for contracting with eligible grant
7 ~~recipients~~ Community Action Agencies as defined in Rule ~~.0106 (a) .0104(2)~~ of this Section which are re-certified as
8 eligible agencies each fiscal year by the ~~Office~~ Division of Social Services. The amount of the funds allocated to each
9 eligible grant recipient shall be based on the following method of distribution:

10 (A) Funds shall be allocated based on the ratio (percentage) of persons in poverty in the county (counties)
11 served by the eligible agency compared to the number of persons in poverty in the total area (counties) served
12 by all eligible agencies.

13 (B) ~~However,~~ no eligible agency shall receive less than ~~than:~~ whichever is higher:

14 (i) An allocation of one hundred twenty thousand dollars (\$120,000), or

15 (ii) An allocation totaling eighty ~~Eighty~~ percent of the eligible agency's Federal Fiscal Year 1982
16 allocation, if the agency has maintained designation for all counties it was designated in Federal
17 Fiscal Year 1982, whichever is higher.

18 (2) Five percent of the funds will be used by the ~~Office~~ Division of Social Services for administration of the CBSG
19 program.

20 (3) The remaining five percent of the funds will be allocated in accordance with the current State CSBG Plan strategy
21 which will be made publicly available. The Division of Social Services shall award no more than 40 percent of the
22 total CSBG funds available under this allotment to a single Local Administering Agency as defined in Rule .0104 of
23 this Section for activities that may include: to make grants in Federal Fiscal Year 1989 and in each subsequent federal
24 fiscal year to those limited purpose agencies as defined in Rule .0104 of this Section and which are re-certified as
25 eligible agencies each fiscal year by the Office. The Office shall allot to each eligible Limited Purpose Agency an
26 amount of funds based on the percentage of the total CSBG funds the eligible agency received of those funds reserved
27 for the limited purpose agencies and the North Carolina Commission of Indian Affairs in federal fiscal year 1986.

28 (A) providing training and technical assistance to those entities in need of such training and
29 assistance;

30 (B) coordinating State-operated programs and services, locally-operated programs and services,
31 targeted to low-income children and families with services provided by eligible entities and other
32 funded organizations, to ensure increased access to services provided by the State of North
33 Carolina or local agencies;

34 (C) supporting statewide coordination and communication among eligible entities;

35 (D) analyzing the distribution of funds made available in this Rule to determine if such funds have
36 been targeted to the areas of greatest need;

37 (E) supporting asset-building programs for low-income individuals, such as programs supporting

individual development accounts;

(F) supporting innovative programs and activities conducted by community action agencies or other neighborhood-based organizations to eliminate poverty, promote self-sufficiency, and promote community revitalization;

(G) supporting State charity tax credits; or

(H) supporting other activities, consistent with the purposes of this Rule.

Any funds granted to Local Administering Agencies under this Rule shall be awarded through a prescribed selection process, to include a review body established by the Division of Social Services. The review body shall be comprised of no less than five individuals selected by the Division and who shall have knowledge in the areas of poverty, grants management, fiscal operations, grants monitoring and grants compliance. Funds not awarded through the prescribed selection process will be distributed in accordance with Subparagraph (a)(1) of this Rule.

~~(b) Beginning with federal fiscal year 1988 and effective for all subsequent fiscal years, eligible agencies will not be allowed to carry forward unearned funds at the end of a grant agreement to the succeeding grant agreement. All unobligated funds must be returned to the Office Division of Social Services within 60 days after the termination of the grant agreement.~~

~~(c) Supplemental CSBG Grants.—~~The preceding paragraphs of this Rule do not apply to the allocation of supplemental CSBG grants to North Carolina. Such allocations to eligible applicants for eligible activities will be made by the Office Division of Social Services in a manner ~~not inconsistent~~ which is compliant with federal guidelines and conditions on supplemental appropriations. The Office Division of Social Services has the flexibility to determine the number of grants awarded and the manner in which grantee(s) are selected based upon the amount of the allocation and the intent of the applicable legislation and regulations.

~~(d) Subject to requirements of 42 U.S.C. 9907, any funds distributed to a Community Action Agency through grants made in accordance with (a)(1) of this Rule which remain unexpended for a fiscal year shall be available to such Community Action Agency for obligation during that fiscal year and the succeeding fiscal year. Any unexpended allotment of CSBG funds from previous year's grants shall be allocated. each eligible CSBG grant recipient for the following purposes:~~

~~(1) to assist in the implementation of special statewide initiatives; and~~

~~(2) for one time expenditures to enhance local programs.~~

~~Ninety percent of these funds will be distributed to Community Action Agencies based on the ratio of persons in poverty in the county or counties served by the Community Action Agency compared to the number of persons in poverty in the total area served by all eligible Community Action Agencies. Ten percent of these funds will be distributed to those Limited Purpose Agencies as defined in Rule .0104 of this Section on an equal basis.~~

(e) Any unexpended funds aligned with (a)(2) and (a)(3) of this Rule shall be distributed in accordance with (a)(1) of this Rule for during that fiscal year or the succeeding fiscal year.

History Note: Authority G.S. 143B-227; 143B-276; 42 U.S.C. 9901-12;

Eff. December 1, 1983;

Amended Eff. June 1, 1985; February 1, 1985;

1 *Temporary Amendment Eff. May 5, 1987 for a Period of 120 Days to Expire on September 1, 1987;*
2 *Temporary Amendment Eff. August 24, 1987 for a Period of 68 Days to Expire on November 1, 1987;*
3 *Amended Eff. November 1, 1987;*
4 *Temporary Amendment Eff. August 1, 1991 for a Period of 180 Days to Expire on January 28, 1992;*
5 *Amended Eff. January 1, 2017; March 1, 1989.*

1 10A NCAC 97C .0109 is proposed for amendment as follows:

3 **10A NCAC 97C .0109 REQUIREMENTS/GOVERNING BODIES OF PRIVATE GRANT RECIPIENTS**

4 (a) Each ~~eligible private~~ private nonprofit grant recipient funded under Rule .0108(a)(1) of this Section ~~must~~ shall have a board

5 of directors consisting of at least 15 members and not more than 51 members.

6 (b) The board of directors of private nonprofit grant recipients funded under Rule .0108(a)(1) of this Section shall be constituted

7 so as to assure that:

8 (1) one-third of the members of the board are elected public officials, ~~currently~~ holding office, or their representatives,

9 except that if the number of elected officials ~~reasonably~~ available and willing to serve is less than one-third of the

10 membership of the board, membership on the board of appointive public officials may be counted in meeting such one-

11 third requirement;

12 (2) at least one-third of the members are persons chosen in accordance with democratic selection procedures adequate

13 to assure that they are representative of the poor in the area served; and

14 (3) the remainder of the members are officials or members of business, industry, labor, religious, welfare, education,

15 or other major groups and interests in the community.

16 (c) Each public grant recipient funded under Rule .0108(a)(1) of this Section shall administer the community services block

17 grant program through:

18 (1) a tripartite board, which shall have members selected by the organization and shall be composed so as to assure

19 that not fewer than 1/3 of the members are persons chosen in accordance with democratic selection procedures

20 adequate to assure that these members:

21 (i) are representative of low-income individuals and families in the neighborhood served;

22 (ii) reside in the neighborhood served; and

23 (iii) are able to participate actively in the development, planning, implementation, and evaluation of

24 programs funded under this subtitle; or

25 (2) another mechanism specified by the State to assure decision making and participation by low-income individuals

26 in the development, planning, implementation,

27 ~~(d)~~ (d) All committees of the board of directors of ~~private~~ grant recipients funded under Rule .0108(a)(1) of this Section shall

28 ~~fairly~~ reflect the tripartite and geographical composition of the board.

29 ~~(e)~~ (e) In addition to the general powers granted under its state charter, the board of directors of the private grant recipients ~~must~~

30 shall possess the following specific powers:

31 (1) to appoint the executive director of the agency;

32 (2) to determine ~~major~~ personnel, organization, fiscal, and program policies;

33 (3) to determine overall program plans and priorities for the agency, including provisions for evaluating progress;

34 (4) to make final approval of all program proposals and budgets;

35 (5) to enforce compliance with all conditions of the ~~Office's~~ Division of Social Services grants; and

36 (6) to oversee the extent and the quality of the participation of the poor in the program of the agency.

1 *History Note:* *Authority G.S. 143B-10; 143B-276; 143B-277; 143-323(d);*
2 *Eff. December 1, 1983;*
3 *Amended Eff. January 1, 2017; October 1, 1984.*
4

1 10A NCAC 97C .0111 is proposed for amendment as follows:

2
3 **10A NCAC 97C .0111 CITIZEN PARTICIPATION**

4 (a) Each grant recipient funded under Rule .0108(a)(1) of this Section is required to establish citizen participation policy and
5 procedures. ~~Grant recipients are required to~~ shall hold public hearings to meet the requirements of Rule .0401(5) of Subchapter
6 97B only during the initial planning when a new multi-year plan is to be developed.

7 ~~(b) The following special requirements on the Community Anti Poverty Plan (application for CSBG funds) shall be met.~~
8 Community action agencies funded under Rule .0108(a)(1) of this Section shall hold one public hearing for review and comment
9 in each county it serves prior to submission of the Community Anti-Poverty Plan to the Division of Social Services. Grant
10 recipients funded under Rule .0108(a)(3) of this Section shall meet the public review requirements by submitting a copy of their
11 plan to the review body specified in (a)(3) of Rule .0108 of this Section.

12 (1) ~~Community action agencies shall meet the following requirements:~~

13 (A) ~~Submit their Community Anti Poverty Plan to their local board(s) of county commissioners in each county~~
14 ~~served by the agency for their review and comment prior to submission to the Office. Division of Social~~
15 ~~Services. County commissioners will shall be given 30 days to comment on the application.~~

16 (B) ~~Hold one public hearing for review and comment in each county it serves prior to submission of the~~
17 ~~Community Anti Poverty Plan to the Office.~~

18 (2) ~~Limited purpose agencies shall meet the public review requirements by submitting a copy of their plan to the State~~
19 ~~Clearinghouse, Department of Administration for review. Any comments from the State Clearinghouse shall be~~
20 ~~submitted to the Office by the applicant within 10 working days of receipt of the Work Plan.~~

21 (c) Each grant recipient ~~is~~ shall be responsible for establishing special procedures to ensure that the poor are able to participate
22 ~~meaningfully~~ in the decisions and activities of the grant recipient. These procedures shall include provisions for:

23 (1) ~~Advance notice of and the agenda (an outline of matters to be considered)~~ Notification for any board or committee
24 meetings to include the agenda items. These shall be provided individually to all members of the board and/or
25 committees in writing at least five days before the meeting. In addition, notices should be given to the local public
26 media and posted in all the grant recipient's neighborhood and/or community centers.

27 (2) ~~Adequate information~~ Information about standards of program effectiveness. This information shall be given to the
28 representatives of the poor to permit them to plan for and evaluate agency programs and to set priorities for the use of
29 funds and other resources. Evaluations of programs and their operation shall consider the views of the poor on the
30 board, as well as the views of program participants and area residents.

31 (3) ~~Adequate information~~ Information and training for board members about their functions, duties, and responsibilities
32 and the issues which will come before them. This will permit board members to make the fullest possible contribution
33 to the work of the board. In this connection, the by-laws of the agency shall be distributed and fully explained to
34 members of the board.

35 (4) Developing effective involvement of the poor in each major program. This involvement may be in the form of a
36 program advisory committee or neighborhood council made up of target area residents. The committee and council

1 may advise the grant recipient on program priorities, participate in the development of ~~pertinent parts~~ of the grant
2 application, review and comment on programs and policies, and participate in the evaluation of programs.

3 (5) The grant recipient in the planning process of its Anti-Poverty Plan, shall annually hold a sufficient number of
4 meetings to ascertain from low-income residents their suggestions, recommendations, and priorities for eliminating
5 poverty. The grant recipient shall provide ~~adequate~~ information and training to the low-income residents to ensure their
6 ~~effective and meaningful~~ involvement in this planning process. The recommendations, suggestions, and priorities of
7 the low-income residents ~~will~~ shall be reviewed by the board of directors in its determination of programs to be
8 implemented by the grant recipient, and will be maintained by the grant recipient for public inspection.

9
10 *History Note: Authority G.S. 143B-10; 143B-276; 143B-277; 143-323(d);*
11 *Eff. December 1, 1983;*
12 *Amended Eff. January 1, 2017; October 1, 1984.*
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